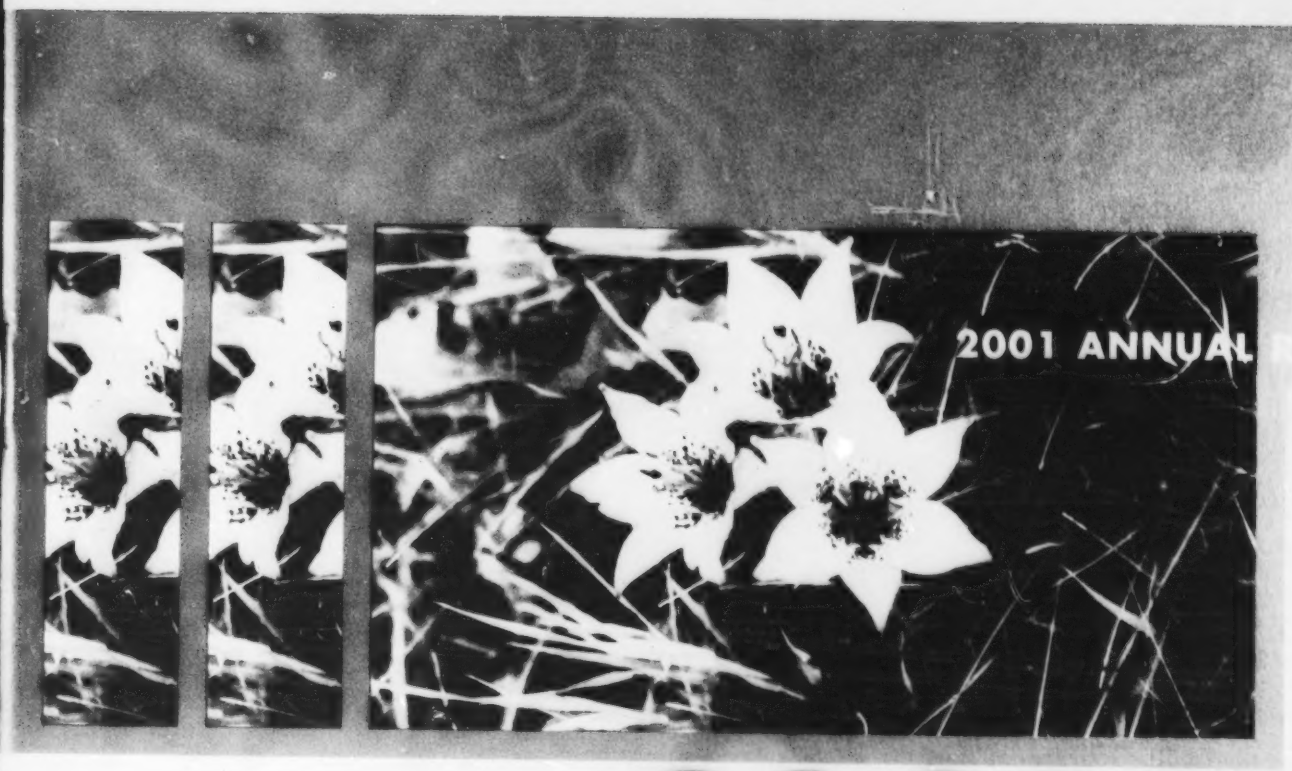


SGGF II

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

SASKATCHEWAN GOVERNMENT
GROWTH FUND II LTD.

Fund Profile & Financial Results 1

Board of Directors and Officers 2

Message to Investors 3

Investment Profiles 4

Management Discussion & Analysis 6

Responsibility for Financial Statements 8

Auditors' Report 9

Financial Statements 10

Notes to the Financial Statements 13

Historical Comparison 19

Corporate Data 20

Prairie Sulphate Corporation

Clearwater Forest Products Inc.

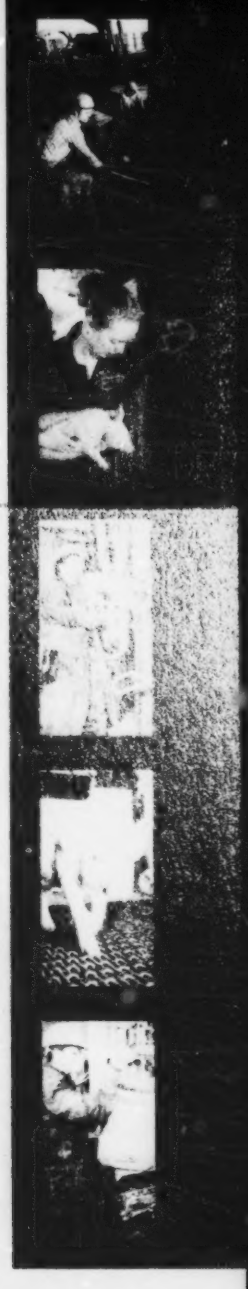
Cover Photo Credit: Tourism Saskatchewan

Saskatchewan's floral emblem since 1941 has been the western red lily. A protected species, the lily grows in moist meadows and semi-wooded areas and stands out brilliantly with its flaming red blossoms against a natural green background.

102-05049/

FUND PROFILE

Saskatchewan Government Growth Fund II Ltd. ("SGGF II") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.



BOARD OF DIRECTORS AND OFFICERS

Gary Benson
President

Wilson Olive
Chair

Darrel Cunningham
Director

Joanne Forer
Director

Gordon Mertler
Director

Keith Rissling
Director

Grant Scharfstein
Director

Upton Resources, Inc.

Big Sky Farms, Inc.

MESSAGE TO INVESTORS

Liquidating the remaining investments in an orderly manner is the primary focus of the Saskatchewan Government Growth Fund II Ltd. ("SGGF II" or the "Fund"). The Manager, Crown Capital Partners Inc., and the Board of Directors believe this strategy will result in the greatest payment to the remaining bondholders. The Fund is mindful of the fact that Bondholders would like to receive payment as quickly as possible, but we are of the view that it would be imprudent to sell the remaining investments at "firesale" prices.

Throughout 2001, SGGF II has provided updates to the remaining Bondholders by way of written circulars and a meeting with Bondholders that was held in Vancouver in August. In addition, the Fund has responded to a number of inquiries from individual Bondholders. SGGF II will continue to respond to individual inquiries and to provide information updates to Bondholders as developments occur.

We are optimistic that the market price of Upton Resources Ltd., a significant holding of SGGF II, will improve in 2002 and the Fund can liquidate its position at a reasonable price. This would enable SGGF II to consider making a distribution to Bondholders from these proceeds.

Throughout 2001, the Board of Directors held 6 meetings in person and 3 by teleconference. Gerry Edwards resigned from the Board in June of 2001 as he relocated out of the Province. In January of 2002, Wilson Olive and Grant Scharfstein resigned as directors. We thank them and the remainder of the directors for their dedicated contribution to the Board. Lloyd Boutilier and Roland ("Rollie") Hardy were appointed to the Board of Directors in February of 2002, and Joanne Forer was elected Chair.

Joanne Forer
Chair

Gary K. Benson
President

The following are company profiles of investments held by SGGF II during 2001, including the approved level of investment and a brief description of their operations.

INVESTMENT PROFILES

Big Sky Farms Inc.
$1,750,000 Loans and common shares

Big Sky Farms, headquartered in Humboldt, Saskatchewan, operates a number of farrow to finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in the province. The company is currently expanding to other areas of Saskatchewan. The company repaid its debt position during the year.

Clearwater Forest Products Inc.
$4,546,445 Partnership units and loans

Clearwater Forest Products Inc., previously Pro-Forest Salvage Group Limited Partnership, salvages fire-damaged timber throughout the Saskatchewan forest. The sawmill is located in Meadow Lake, Saskatchewan. The company suspended operations in 2000. SGGF wrote off its equity position in 2000 and its debt position during the year.

General Environmental Inc.
$300,000 Loan

This loan was made to a company associated with Wolverine Resources Inc. (described below). SGGF is hoping to recover a portion of this investment.

Lateral Vector Resources Inc.
$1,225,000 Common shares

Lateral Vector is a publicly traded (Toronto Stock Exchange) Saskatchewan-based oil company headquartered in Regina. The company's primary emphasis is on international projects. In 2000 SGGF wrote off its investment in the company but, during 2001, was able to recover a portion of it.

North American Recycling
$180,000 Loan

This loan was made to a company associated with Wolverine Resources Inc. (described below). SGGF is hoping to recover a portion of this investment.

Prairie Sulphate Corporation
(formerly PSC Alsask Inc.)
$3,468,952 Loans and common shares

Prairie Sulphate Corporation is located at Alsask, Saskatchewan. The company manufactures potassium sulphate fertilizer; a specialty product used in the care of chloride sensitive plants such as citrus trees, tobacco, and golf course greens. SGGF wrote off its equity position in the company in 2001.

Big Sky Farms Inc.

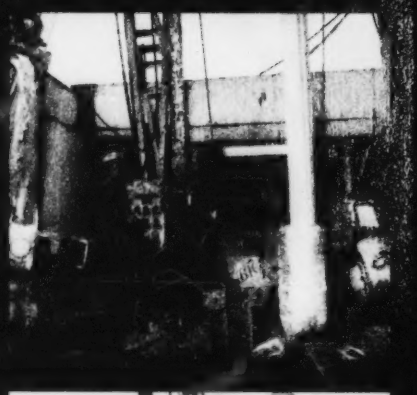
Big Sky Farms Inc.

Clearwater Forest Products Inc.

Clearwater Forest Products Inc.

Prairie Sulphate Corporation

Upton Resources Inc.



Upton Resources Inc.

Rocky View Lodge Inc.
$844,409 Loans

Rocky View is located at Denare Beach, Saskatchewan. The company constructed and operates a tourism facility specializing in offering eco-tourism experiences to its visitors. A portion of the investment in Rocky View was recovered in 2001.

Upton Resources Inc.
$5,502,197 Loan and common shares

Upton Resources Inc., a publicly traded (Toronto Stock Exchange) company, is engaged in the exploration for and development of crude oil producing properties primarily through the process of horizontal drilling. The company repaid its loan in full in 2000.

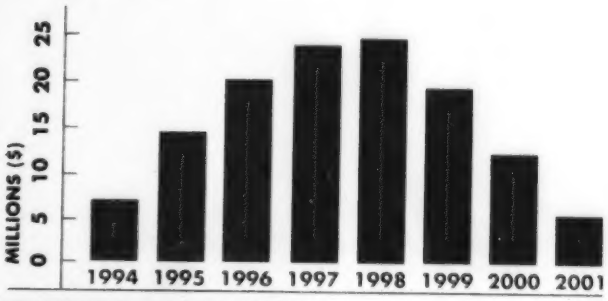
Wolverine Resources Inc.
$6,550,899 Loans and common shares

Wolverine Resources is located in Humboldt, Saskatchewan. The business collects and recycles used oil into a refined product that is sold for use in value added applications. The company ceased operations during the year and SGGF wrote off its investment in the company.

MANAGEMENT DISCUSSION AND ANALYSIS

The accumulated deficit in SGGF II is $8.9 million, an increase of $3.2 million from 2000. The increase is due mainly to provisions for losses on investments. During the year $6.9 million of investments and costs were written off.

Repayment of obligations at maturity was suspended in December 2000. Management continued its extensive monthly cash flow monitoring exercise in order to identify any timing differences between the planned liquidation of investments and scheduled investor repayments. No payments were made in 2001 because of insufficient cash resources. It is not known with certainty when and if the remaining obligations will be repaid in full.



INVESTMENTS OUTSTANDING

Investment Activities

The continued focus of activity in 2001 was on the orderly liquidation of the investment portfolio in order to generate sufficient cash to make some distribution to those investors who have yet to receive a payment.

Divestments during the year totalled $0.7 million (2000 – $3.9 million) and included the payout of one debt investment. A total $6.9 million of investments were written off in 2001 (2000 – $1.8 million).

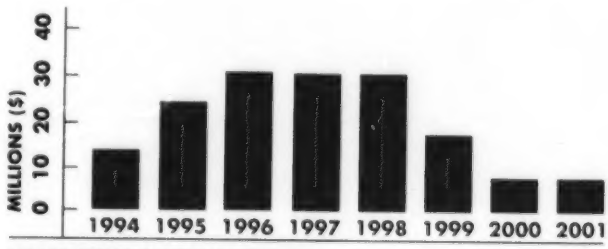
A total of $0.8 million of new investments were undertaken in 2001 (2000 – $1.2 million). Protective disbursements to three existing investee companies were made in 2001 compared to one new investment and two protective disbursements in 2000.

At December 31, 2001 the total portfolio is $5.9 million; made up of $2.4 million of debt and $3.5 million of equity investment for an investment mix of 40% debt and 60% equity. This compares to a mix of 60% debt and 40% equity in 2000.

Investment income in 2001 was $286,000, a decrease of $1.1 million from 2000. The majority of this decrease represents gains on the sale of shares in a publicly traded equity investment that occurred in 2000 with no similar sales in 2001. Reflecting the conservative accounting policy of SGGF II, income on equity investments is not recognized until it is received and gains on equity investments are only recognized in the Statement of Operations when the investment is sold.

In addition to the monthly monitoring of each investment that is carried out, a quarterly portfolio review is performed to identify if there has been impairment in the value of any of the investments. Where impairment is identified, a provision for loss is recorded to recognize the potential for impairment in the carrying value of the investment and any further accrual of income for that investment is discontinued.

During 2001 a total of $2.8 million (2000 – $5.2 million) was taken as a provision for investment losses. This loss provision adjusts impaired investments to their estimated net realizable value and publicly traded shares to the lower of their cost and market value.



OBLIGATIONS TO INVESTORS

Clearwater Seafoods Inc.

Big Sky Farms Inc.

Investor Activities

As mentioned above, investor repayments were suspended in 2000 and this suspension continued throughout 2001.

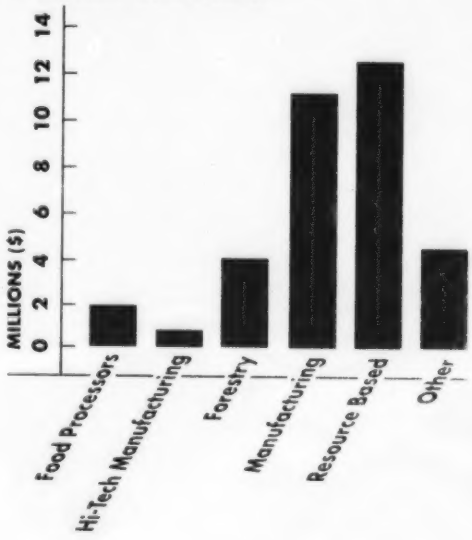
In August 2000 investment liquidation problems were identified that compelled the fund to reduce future repayments to $150,000 at maturity for all remaining Bonds with further amounts to be repaid as investments were liquidated. A total of 12 investors were paid the $150,000 at maturity.

In December 2000 a scheduled liquidation did not materialize and the resulting cash was thus unavailable for continued repayments at the $150,000 level. Consequently, SGGF II was forced to suspend further repayments until sufficient cash could be obtained to allow it to make some level of repayment.

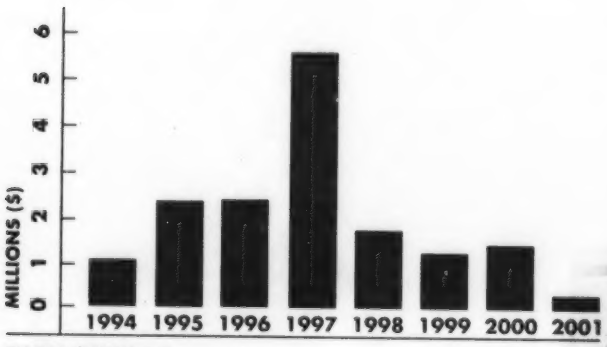
Operating Activities

In late 2000 the administration and investment advisory services previously provided to SGGF II by SGGF Management Corporation were contracted out to a private fund manager. The fund manager is paid a monthly fee for its services and will receive a share of the net profits, if any, of the fund after all liabilities, including investor obligations, of the fund have been paid.

DISBURSED BY INDUSTRY



The balance of administration costs, in 2001, is made up of fees payable to an external investment advisor under the terms of its investment services agreement. These future fees are payable to the investment advisor upon liquidation of its portfolio under management and upon the achievement of certain performance targets. In 2000, $420,000 of these costs were recovered due to the poor performance of the related investments.



TOTAL REVENUE

In 2001 total administration costs were $264,000, representing direct charges for the ongoing administration of the fund, including investments, and is a decrease of $126,000 from 2000 levels. This decrease reflects the smaller investment portfolio in 2001.

Upton Resources Inc

Clearwater Beef Portfolio

Prairie Sulphate Corporation

Big Sky Farms Inc

Prairie Sulphate Corporation

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The President and fund manager carry out management of the fund. The accompanying financial statements of the Saskatchewan Government Growth Fund II Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts based on informed judgement and estimates of management or the Board of Directors. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Deloitte & Touche, the corporation's independent auditors, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these financial statements.

On behalf of management,

Gary K. Benson
President

Mike Merth, CA, CMA
Crown Capital Partners Inc.

Big Sky Farms Inc.

AUDITORS' REPORT

To the Shareholder and Investors of Saskatchewan Government Growth Fund II Ltd.:

We have audited the Statement of Financial Position of Saskatchewan Government Growth Fund II Ltd. as at December 31, 2001, and the Statement of Operations and Deficit and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
January 31, 2002

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund II Ltd.

(Incorporated under The Business Corporations Act of Saskatchewan)
Statement of Financial Position
As at December 31

	2001	2000
Assets		
Cash	$ 731,836	$ 372,778
Portfolio investment	-	411,000
Funds held in trust	-	625,000
Accounts receivable and accrued interest	32,339	28,325
Investments (Note 3)	3,533,628	6,179,393
Deferred commissions (Note 4)	-	9,282
	$ 4,297,803	**$ 7,625,778**
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities (Note 5)	$ 1,873,850	$ 1,644,576
Notes payable (Note 6)	2,000,000	2,575,000
Commissions payable	24,500	24,500
Deferred revenue	-	8,071
Accrued charges payable to investors	390,465	205,904
Obligations to investors (Note 7)	8,950,000	8,950,000
	13,238,815	**13,408,051**
Share capital (Note 8)	1,000	1,000
Deficit	(8,942,012)	(5,783,273)
	(8,941,012)	**(5,782,273)**
	$ 4,297,803	**$ 7,625,778**

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

Saskatchewan Government Growth Fund II Ltd.

Statement of Operations and Deficit
For the Year Ended December 31

	2001	2000
Revenues		
Income from investments	$ 286,334	$ 1,397,228
Interest from cash and portfolio investment	37,788	78,109
Other income	5,126	93,621
	329,248	1,568,958
Provision for investment losses	3,068,749	5,911,336
Allowance for unrealized losses	(248,532)	34,588
	2,820,217	5,945,924
Net revenue	**(2,490,969)**	**(4,376,966)**
Expenses		
Administration (Note 10)	273,391	(32,147)
Interest on notes payable	200,536	117,156
Amortization of commissions	9,282	156,650
Interest on obligations to investors	184,561	243,746
	667,770	**485,405**
Net loss	**(3,158,739)**	**(4,862,371)**
Deficit, beginning of year	(5,783,273)	(920,902)
Deficit, end of year	**$ (8,942,012)**	**$ (5,783,273)**

See accompanying notes to financial statements

Saskatchewan Government Growth Fund II Ltd.

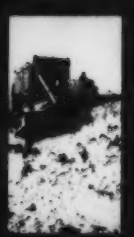
Statement of Cash Flows

For the Year Ended December 31

	2001	2000
Cash flows from operating activities		
Net loss	$ (3,158,739)	$ (4,862,371)
Adjustments:		
Amortization of commissions	9,282	156,650
Provision for investment losses	3,068,749	5,911,336
Allowance for unrealized losses	(248,532)	34,588
Net change in non-cash balances related to operations (Note 11)	1,026,750	(550,596)
Cash flows from operating activities	**697,510**	**689,607**
Cash flows from investing activities		
Disbursements on investments	(836,385)	(1,597,536)
Repayments from investments	661,933	3,949,249
Sale (purchase) of portfolio investment	411,000	(411,000)
Cash flows from investing activities	**236,548**	**1,940,713**
Cash flows from financing activities		
Repayment of bond subscriptions	-	(8,800,000)
(Repayment of) proceeds from notes payable	(575,000)	2,575,000
Cash flows from financing activities	**(575,000)**	**(6,225,000)**
Net increase (decrease) in cash	**359,058**	**(3,594,680)**
Cash, beginning of year	372,778	3,967,458
Cash, end of year	**$ 731,836**	**$ 372,778**
Interest paid during the year	$ 212,169	$ 173,471

See accompanying notes to financial statements

Big Sky Farms Inc.



Prairie Sunrise Corporation

NOTES TO THE FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund II Ltd. ("SGGF II") was incorporated in March 1993 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF II was established to raise $35,000,000 through a bond offering. Each bond is a 2% unsecured subordinated bond at a cost of $250,000. The marketing of SGGF II closed on May 28, 1995.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF II is required to invest in Saskatchewan based businesses, which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF II or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 trading days of the year, on an individual basis. Unrealized losses in the value of investments in publicly traded shares are recorded in the Statement of Operations and Deficit, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF II has significant influence are not consolidated.

Deferred commissions

Commissions paid or payable on bonds issued have been capitalized and are amortized over five years from date of bond issuance.

Commissions payable

According to the terms of a marketing agreement entered into by SGGF II, a commission is legally payable to the independent marketing agent selling the bond upon the issuance of the investor's immigrant visa.

Obligations to investors

Obligations to investors represent the bonds issued to investors of SGGF II. Interest on bonds is accrued at an annual rate of two percent (2%) from the date of the bond issuance. If sufficient funds exist, interest is paid annually on December 31 and at maturity.

3. Investments

	2001	2000
Debt	$ 2,372,721	$ 7,452,198
Equity	3,502,197	5,107,515
Provision for investment losses	(1,176,360)	(4,966,858)
Allowance for unrealized losses	(1,164,930)	(1,413,462)
	$ 3,533,628	$ 6,179,393

Included in investments are $2,372,721 (2000 – $8,590,759) of impaired investments, net of accumulated provision for losses of $1,176,360 (2000 – $4,966,858), upon which income is not accrued. During the year $6,859,247 (2000 – $5,068,405) of investments and costs have been written off.

Equity investments include publicly traded shares at a cost of $2,502,197 (2000 – $2,502,197), with an aggregate market value of $1,337,267 (2000 – $1,088,735).

During the year, investments decreased as follows:

	2001	2000
Balance, beginning of year	$ 6,179,393	$ 14,477,031
New investments	836,385	1,597,536
Repayments	(661,933)	(3,949,249)
Investments and costs written off	(6,859,247)	(5,068,405)
Net change in provision for investment losses	3,790,498	(2,042,952)
Net change in allowance for unrealized losses	248,532	1,165,432
Balance, end of year	$ 3,533,628	$ 6,179,393

4. Deferred commissions

Deferred commissions have been recorded net of accumulated amortization of $nil (2000 – $498,218).

5. Accounts payable and accrued liabilities

Included in accrued liabilities is a $1,598,068 (2000 – $1,579,211) provision for future fees payable to an investment advisor under the terms of its investment services agreement with SGGF II. This amount is payable to the investment advisor upon liquidation of its portfolio under management and upon achievement of certain performance targets.

6. Notes payable

Included in notes payable is a $2,000,000 (2000 – $2,000,000) note to Saskatchewan Government Growth Fund Ltd. ("SGGF I") payable on demand and bearing an interest rate of 10% per annum. Security for the note is an equity investment and associated put option.

Included in notes payable is a $nil (2000 – $575,000) line of credit with a third party financial institution.

7. Obligations to investors

Bonds – 2% unsecured subordinated bonds.

The obligation at December 31 is:

	2001	2000
43 bonds (2000 – 43 bonds)	$ 8,950,000	$ 8,950,000

The obligation at December 31 is comprised of 31 bonds with a face value of $250,000 and 12 bonds with a remaining face value of $100,000.

Prairie Sulphate Corporation

Clearwater Forest Products Inc.

Liquidity problems experienced in the investment portfolio during the year 2000 forced SGGF II to reduce repayments on bonds that matured in September 2000, October 2000 and November 2000 and suspend repayments on bonds that matured in December 2000. It is not known with certainty when the remaining obligations can be redeemed and if they can be redeemed in full.

Interest due on the remaining obligations has been accrued.

8. Share capital

The authorized common share capital of SGGF II at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares – an unlimited number of non-voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2001	2000
1,000 Class A common shares	$ 1,000	$ 1,000

9. Financial instruments

SGGF II's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SGGF II's ability to repay its obligations to investors at maturity.

Market Risk

Market risk faced by SGGF II is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SGGF II invests. Some of the companies in which SGGF II invests are dependent upon a single product or industry. SGGF II manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF II restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF II conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF II's earnings will decline due to fluctuations in interest rates. SGGF II manages this risk through careful monitoring and matching the duration of its portfolio investments and investments with its obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SGGF II will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SGGF II's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SGGF II's obligations to investors. SGGF II carefully monitors the duration of its investments. However, these timing differences may require SGGF II to reduce or delay the payments owing on its obligations to investors at maturity.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Deficit in the period in which they become known.

Fair Value – Investments

There is no active secondary market for many of the investments in which SGGF II invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

Fair Value – Obligations to Investors

Obligations to investors represent the capital invested by immigrant investors in SGGF II. In addition to earning a nominal return on their capital, their investment in SGGF II helps satisfy a portion of their visa requirements under the IIP. Each investment in SGGF II is irrevocable, except in the case of a visa refusal, for a minimum period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

10. Administration

Under the terms of a ten year Management Agreement, expiring in 2003, between SGGF II and the Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF II with the assistance of various investment advisors and a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF II. All services provided to SGGF II are charged on a fee for service basis. The breakdown of costs is as follows:

	2001	2000
Investment advisors	$ 18,857	$ (411,818)
Fund manager	163,899	101,164
Salaries and benefits	-	133,744
General administration	11,793	55,459
Directors' fees and expenses	23,063	20,469
Legal and professional	55,779	68,835
	$ 273,391	$ (32,147)

Included in investment advisors is a $18,857 provision for (2000 – $419,772 recovery of) future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF II. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

Prairie Sulphate Corporation

Big Sky Farms Inc.

11. Net change in non-cash balances related to operations

	2001	2000
Funds held in trust	$ 625,000	$ (625,000)
Accounts receivable and accrued interest	(4,014)	359,536
Accounts payable and accrued liabilities	229,274	(422,021)
Commissions payable	-	(3,500)
Deferred revenue	(8,071)	(65,515)
Accrued charges payable to investors	184,561	205,904
	$ 1,026,750	$ (550,596)

12. Income taxes

Greater than 90% of the issued shares of SCGF II are owned by a provincial Crown corporation. Therefore, SCGF II is income tax exempt.

13. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SCGF II is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

As stated in Note 6, SCGF II holds a note payable to SCGF I. Total interest paid and payable to SCGF I during the year was $216,940 (2000 – $53,005).

As stated in Note 10, SCGF II is under a ten year Management Agreement with SCGF Management Corporation. Total fees paid and payable to SCGF Management Corporation during the year amounted to $279,616 (2000 – $387,625).

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Clearwater Forest Products Inc.

Big Sky Farms Inc.

HISTORICAL COMPARISON

Saskatchewan Government Growth Fund II Ltd.
Historical Comparison
(in thousands of dollars)

Financial Position

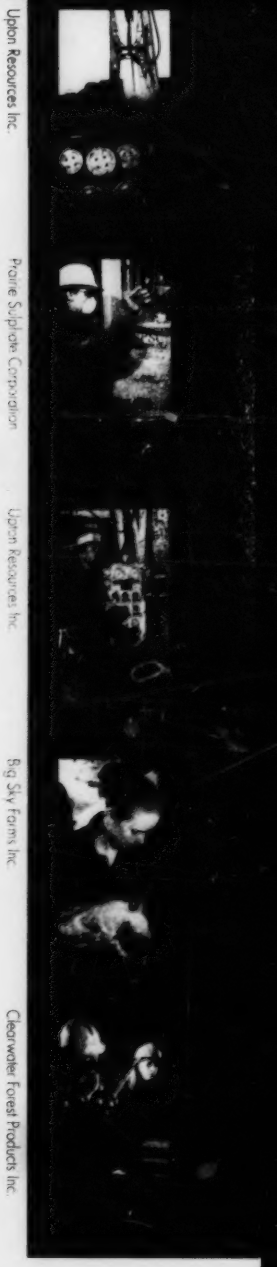
As at December 31

	2001	2000	1999	1998	1997	1996
Assets						
Cash	$ 732	998	3,967	11,615	11,880	10,782
Portfolio investments	-	411	-	-	-	-
Investments	3,534	6,179	14,477	20,479	22,429	20,451
Other assets	32	38	554	979	2,257	2,062
Total assets	$ 4,298	7,626	18,998	33,073	36,566	33,295
Liabilities & (Deficiency) Equity						
Obligations to investors	$ 9,340	9,161	17,755	31,005	31,005	31,255
Other liabilities	3,899	4,247	2,163	2,267	2,287	573
(Deficiency) Equity	(8,941)	(5,782)	(920)	(199)	2,274	1,467
Total liabilities & equity	$ 4,298	7,626	18,998	33,073	35,566	33,295

Operating Results

For the years ended December 31

	2001	2000	1999	1998	1997	1996
Revenues						
Investment income	$ 286	1,397	699	1,100	5,033	1,479
Interest from cash and portfolio investments	38	78	608	755	581	859
Other income	5	94	27	27	58	111
	329	1,569	1,334	1,882	5,672	2,449
Provision for losses on investments	2,820	5,946	1,017	2,863	1,514	(179)
Net revenue	(2,491)	(4,377)	317	(981)	4,158	2,628
Expenses						
Administration	274	(32)	252	439	2,298	630
Financing	394	517	786	1,053	1,053	1,069
Total expenses	668	485	1,038	1,492	3,351	1,699
Net (loss) income	$ (3,159)	(4,862)	(721)	(2,473)	807	929



CORPORATE DATA (as at December 31, 2001)

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Regina, Saskatchewan

Keith Rissling
Businessman
Saskatoon, Saskatchewan

Grant Scharfstein
Lawyer
Saskatoon, Saskatchewan

Officers

Wilson Olive, Chair
Gary Benson, President

Fund Manager

Crown Capital Partners Inc.
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Gary Benson, Partner Responsible for SGGF
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Rob Duguid, Partner
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Big Sky Farms Inc.

Ligtan Resources Inc.

Clearwater Forest Products Inc.

Prairie Sulphur Corporation

Upton Resources Inc.

Clearwater Forest Products Inc.

Big Sky Farms Inc.

SASKATCHEWAN GOVERNMENT GROWTH FUND II LTD.